SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION SCHEDULE OF FINDINGS

JUNE 30, 2007

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Sergeant Bluff-Luton Community School District Officials

<u>Name</u>	<u>Title</u>	Term Expires						
	Board of Education (Before September 2006 Election)							
Therese Haindfield-Munn	President	2007						
Mark Reinders	Vice President	2007						
Rob Shultz Brad Baird Neil Stockfleth	Board Member Board Member Board Member	2006 2008 2006						
Board of Education (After September 2006 Election)								
Therese Haindfield-Munn	President	2007						
Mark Reinders	Vice President	2007						
David Schaar Brad Baird Neil Stockfleth	Board Member Board Member Board Member	2009 2008 2009						
	School Officials							
Richard Caldwell	Superintendent	2007						
Susan Mohr	District Secretary/Treasurer and Business Manager	2007						
Jim Hanks	Attorney	2007						

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Sergeant Bluff-Luton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sergeant Bluff-Luton Community School District, Sergeant Bluff-Luton, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sergeant Bluff-Luton Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated January 7, 2008 on our consideration of Sergeant Bluff-Luton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sergeant Bluff-Luton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sergeant Bluff-Luton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,542,677 in fiscal 2006 to \$12,713,426 in fiscal 2007, while General Fund expenditures increased from \$11,627,748 in fiscal 2006 to \$12,441,390 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$90,214 in fiscal 2006 to a balance of \$522,455 in fiscal 2007, a 479.13% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax, as well as, state grant revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and the costs associated with replacing the bus fleet and other equipment lost in the bus barn fire. In addition, a new technology plan was implemented which included the purchase of twenty-four new tablet personal computers.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sergeant Bluff-Luton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Sergeant Bluff-Luton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sergeant Bluff-Luton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

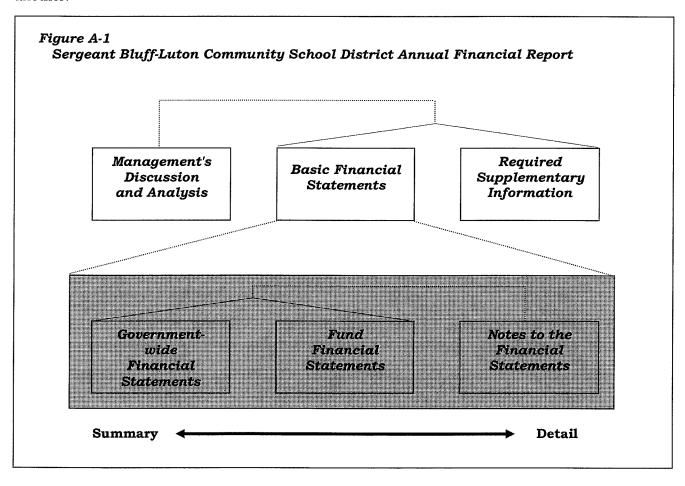


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2	- C 41 - O			
Major Features Statements	of the Government	-wide and Fund Fi	nancial	
	Government-wide	Fund St	atements	
	Statements	Governmental Funds	Proprietary Funds	
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	
Required financial statements	• Statement of net assets	Balance sheet	• Statement of Net Assets	
	• Statement of activities	• Statement of revenues, expenditures, and changes in fund balances	• Statement of revenues, expenses and changes in net assets	
			• Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long- term liabilities included	All assets and liabilities both financial and capital, and short-term and long-term	
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business-type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

1) Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the

same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Early Childhood Enterprises.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Conde	nsed Statemer	nt of Net	Assets			
	Governm	nental	Busine	ss-type	To	tal	Total
	Activit	ies	Acti	vities	School 1	District	Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 11,369,406	9,628,115	113,568	69,422	11,482,974	9,697,537	18.41%
Capital assets	17,565,568	17,881,984	78,904	,	17,644,472	17,978,487	-1.86%
Total assets	 28,934,974	27,510,099	192,472	165,925	29,127,446	27,676,024	5.24%
Long-term obligations	7,669,615	7,661,999	0	0	7,669,615	7,661,999	0.10%
Other liabilities	10,066,535	8,939,896	13,928	13,861	10,080,463	8,953,757	12.58%
Total liabilities	 17,736,150	16,601,895	13,928	13,861	17,750,078	16,615,756	6.83%
Net assets:							
Invested in capital assets, net of related debt	10,109,965	10,648,884	78,904	96,503	10,188,869	10,745,387	-5.18%
Restricted	683,520	178,942	0	0	683,520	178,942	281.98%
Unrestricted	405,339	80,378	99,640	55,561	504,979	135,939	271.47%
Total net assets	\$ 11,198,824	10,908,204	178,544	152,064	11,377,368	11,060,268	2.87%

The District's combined net assets increased by 2.87% or \$317,100 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$504,578 or 281.98% over the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$369,040 or nearly 271.47%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4
Changes of Net Assets

		Governn		Busines			tal	Total
		Activi		Activities		School District		Change
		2007	2006	2007	2006	2007	2006	2006-07
Revenues:								
Program revenues:								
Charges for services	\$	1,584,000	1,642,226	550,388	537,944	2,134,388	2,180,170	-2.10%
Operating grants and contributions and								
restricted interest		1,273,498	1,133,169	216,727	203,280	1,490,225	1,336,449	11.51%
General revenues:								
Local tax		6,239,363	5,587,570	0	0	6,239,363	5,587,570	11.67%
Local option sales and service tax		1,077,128	887,302	0	0	1,077,128	887,302	21.39%
Unrestricted state grants		4,767,354	4,296,896	0	0	4,767,354	4,296,896	10.95%
Other		332,262	58,491	2,322	2,474	334,584	60,965	448.81%
Total revenues	_	15,273,605	13,605,654	769,437	743,698	16,043,042	14,349,352	11.80%
Program expenses:								
Governmental activities:								
Instructional		9,127,514	8,393,349	0	0	9,127,514	8,393,349	8.75%
Support services		4,020,383	3,373,666	0	0	4,020,383	3,373,666	19.17%
Non-instructional programs		1,637	2,960	742,957	772,630	744,594	775,590	-4.00%
Other expenses		1,833,451	1,719,635	0	0	1,833,451	1,719,635	6.62%
Total expenses		14,982,985	13,489,610	742,957	772,630	15,725,942	14,262,240	10.26%
Change in net assets		290,620	116,044	26,480	(28,932)	317,100	87,112	264.01%
Net assets beginning of year		10,908,204	10,792,160	152,064	180,996	11,060,268	10,973,156	0.79%
Net assets end of year	\$	11,198,824	10,908,204	178,544	152,064	11,377,368	11,060,268	2.87%

In fiscal 2007, property tax and unrestricted state grants account for 72.06% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.70% of the revenue from business type activities.

The District's total revenues were approximately \$16.04 million of which \$15.27 million was for governmental activities and \$.77 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced an 11.80% increase in revenues and a 10.26% increase in expenses. The increase in expenses was a result of the increases in the negotiated salaries and benefits and the costs associated with replacing the bus fleet and other equipment lost in the bus barn fire. In addition, a new technology plan was implemented which included the purchase of twenty-four new tablet personal computers.

Governmental Activities

Revenues for governmental activities were \$15,273,605 and expenses were \$14,982,985. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Tota	l Cost of Servi	ces	Net	Net Cost of Services			
		Change						
	2007	2006	2006-07	2007	2006	2006-07		
Instruction	\$ 9,127,514	8,393,349	8.75%	6,753,230	6,030,058	11.99%		
Support services	4,020,383	3,373,666	19.17%	3,996,530	3,366,474	18.72%		
Non-instructional	1,637	2,960	-44.70%	1,637	2,960	-44.70%		
Other expenses	1,833,451	1,719,635	6.62%	1,374,090	1,314,723	4.52%		
Totals	\$ 14,982,985	13,489,610	11.07%	12,125,487	10,714,215	13.17%		

- The cost financed by users of the District's programs was \$1,584,000.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,273,498.
- The net cost of governmental activities was financed with \$6,239,363 in property tax, \$1,077,128 in local option sales and service tax, \$4,767,354 in unrestricted state grants, \$155,002 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$769,437 and expenses were \$742,957. The District's business-type activities include the School Nutrition Fund and Early Childhood Enterprises. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Sergeant Bluff-Luton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,321,975, above last year's ending fund balances of a \$714,711.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. Increase in the tax levy, as well as, state grants during the year resulted in an increase in revenues. However, the increase in revenues was more than enough to offset the District's increase in General Fund expenditures ensuring the increase of the District's financial position.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$17,238 to \$19,145. The increase in revenues coupled with the proceeds from the loss of capital assets was more than enough to offset the increase in expenditures thus ensuring the positive gain in position for the fund.
- The Capital Projects fund balance increased from \$290,588, in 2006, to \$456,938, in 2007, due to the increase in local option sales and service tax received during the year surpassing the increase in expenditures during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$104,521 at June 30, 2006 to \$110,376 at June 30, 2007, representing an increase of approximately 5.6%. The Early Childhood Enterprises net assets increased from \$47,543 in 2006, to \$68,168 in 2007 representing an increase of 43.4%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Sergeant Bluff-Luton Community School District amended its annual budget one time for \$1,590,616 to reflect additional expenditures associated with all functional areas.

The District's revenues were \$605,613 more than budgeted revenues, a variance of 3.95%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year.

In spite of the District's budgetary practice, the District exceeded its unspent authorized budget for the year ended June 30, 2007, by \$178,875. The District also exceeded budgeted amounts in the other expenditures function.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$17.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.85% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$650,257.

The original cost of the District's capital assets was \$26,938,725. Governmental funds account for \$26,496,291 with the remainder of \$442,434 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. This was due to the fire that destroyed the bus barn as well as equipment that was contained within it.

Figure A-6
anital Assets Net of Depreciation

		Governn	nental	Business-type		To	tal	Total
		Activi	ties	Activities		School District		Change
		2007	2006	2007	2006	2007	2006	2006-07
Land	\$	294,815	294,815	0	0	294,815	294,815	0.00%
Buildings		15,887,367	16,559,180	0	0	15,887,367	16,559,180	-4.23%
Improvements other than buildings		825,311	729,576	0	0	825,311	729,576	11.60%
Machinery and equipment		558,075	298,413	78,904	96,503	636,979	394,916	38.00%
Total	\$	17,565,568	17,881,984	78,904	96,503	17,644,472	17,978,487	-1.89%

Long-Term Debt

At June 30, 2007, the District had long-term debt outstanding of \$7,669,615 in general obligation bonds payable, computer lease payable and early retirement. This represents an increase of less than 1% from the previous year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$6,905,000 at June 30, 2007.

During the year ended June 30, 2007, the District had a computer lease payable of \$550,603. Payments for this obligation will be made from the Capital Projects Fund through fiscal year 2011.

The District also had total outstanding early retirement payable of \$214,012 from the Special Revenue, Management Levy Fund at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	 Total Scho	ol District	Total
	2007	2006	Change
General obligation bonds	\$ 6,905,000	7,505,000	-8.0%
Computer lease	550,603	0	100.0%
Early retirement	214,012	156,999	36.3%
Total	\$ 7,669,615	7,661,999	0.1%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment fluctuations is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- During the year ended June 30, 2007, a fire destroyed the bus barn, several buses and all tools contained within the bus barn. Associated costs to replace the destroyed items will provide short-term strain on District Funds.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Mohr, District Board Secretary, Sergeant Bluff-Luton Community School District, P.O. Box 97, Sergeant Bluff, Iowa, 51054.

BASIC FINANCIAL STATEMENTS

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT STATEMENT OF NET ASSETS JUNE 30, 2007

SaseTs				
ASSETS Cash and pooled investments:		Governmental	Business-type	
Cash and pooled investments: Scape Scape		Activities	Activities	Total
SCAP(Note 4)	ASSETS			
Other 2,430,778 82,434 2,513,212 Receivables: Property tax: Delinquent 28,519 0 28,519 Succeeding year 6,118,032 0 6,118,032 18,020 143,412 Account SCAP interest (Note 4) 9,978 0 28,792 18,020 143,412 Due from other governments 483,569 0 483,569 10 483,569 Inventories 0 13,114 13,114 13,114 13,114 Capital assets, net of accumulated depreciation (Note 5) 17,565,568 78,904 17,644,472 TOTAL ASSETS 28,934,974 192,472 29,127,444 LIABILITIES Accounts payable 19,104 0 19,104 Salaried and benefits payable 1,227,439 5,299 1,232,738 ISCAP accured interest payable (Note 4) 2,094,000 0 2,094,000 ISCAP accured interest payable (Note 4) 78,687 0 78,687 ISCAP accured interest payable (Note 4) 78,687 0 78,687 IS	-			
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Property tax: Delinquent 28,519 0 28,519 Succeeding year 6,118,032 18,020 113,412 Accounts 125,392 18,020 143,412 Account SCAP interest (Note 4) 92,978 0 92,978 Due from other governments 483,569 0 483,569 Inventories 0 13,114 13,114 Capital assets, net of accumulated depreciation (Note 5) 17,565,568 78,904 17,644,472 TOTAL ASSETS 28,934,974 192,472 29,127,446 LIABILITIES	Other	2,430,778	82,434	2,513,212
Delinquent 28,519 0				
Succeeding year 6,118,032 0 6,118,032 143,412 Accounts 125,3392 18,020 143,569 10 483,569 10 483,569 10 483,569 10 483,569 10 13,114 13,114				
Accounts	-			
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Due from other governments				
Timentories 0		•		•
Capital assets, net of accumulated depreciation(Note 5) 17,565,568 78,904 17,644,472 TOTAL ASSETS 28,934,974 192,472 29,127,446 28,934,974 192,472 29,127,446 28,934,974 192,472 29,127,446 28,934,974 192,472 29,127,446 28,934,974 192,472 29,127,446 28,934,974 192,472 29,127,476 28,934,974 192,472 29,127,381 28,2738 28,2			•	
Capeciation(Note 5) 17,565,568 78,904 17,644,472 TOTAL ASSETS 28,934,974 192,472 29,127,446 192,472 29,127,446 192,472 29,127,446 192,472 29,127,446 192,472 29,127,446 192,472 29,127,446 192,472 29,127,446 192,472 192,472 192,472 192,472 192,472 192,472 192,472 192,472 192,473 192,472 192,473 192,472 192,473		U	13,114	13,114
TOTAL ASSETS		17 565 560	70 004	17 644 479
Accounts payable				
Accounts payable 516,131 451 516,582 Interest payable 19,104 0 19,104 Salaried and benefits payable 1,227,439 5,299 1,232,738 ISCAP warrants payable(Note 4) 2,094,000 0 2,094,000 ISCAP accrued interest payable(Note 4) 78,687 0 78,687 ISCAP premiums payable 13,142 0 13,142 Deferred revenue: Succeeding year property tax 6,118,032 0 6,118,032 Other 0 8,178 8,178 Long-term liabilities(Note 6): Portion due within one year: General obligation bonds payable 600,000 0 600,000 Computer lease payable 149,217 0 149,217 Early retirement payable 48,276 0 64,305,000 Computer lease payable 401,386 0 401,386 Early retirement payable 6,305,000 0 6,305,000 Computer lease payable 401,386 0 401,386 Early retirement payable 165,736 0 165,736 TOTAL LIABILITIES 17,736,150 13,928 17,750,078 NET ASSETS Investment in capital assets, net of related debt 10,109,965 78,904 10,188,869 Restricted for: Talented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,040 Salary improvement program 1,040 0 1,040 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 Debt service 27,704 0 27,704	TOTAL ADDETO	20,934,974	192,472	29,127,440
Interest payable	LIABILITIES			
Interest payable	Accounts payable	516,131	451	516,582
Salaried and benefits payable 1,227,439 5,299 1,232,738 ISCAP warrants payable (Note 4) 2,094,000 0 2,094,000 ISCAP accrued interest payable (Note 4) 78,687 0 78,687 13,142 0 13,142 Deferred revenue:				•
ISCAP warrants payable(Note 4) 2,094,000 0 2,094,000 ISCAP accrued interest payable(Note 4) 78,687 0 78,687 ISCAP premiums payable 13,142 0 13,142 Deferred revenue:				
ISCAP accrued interest payable (Note 4) 78,687 13,142 0 13,142 Deferred revenue: Succeeding year property tax 6,118,032 0 6,118,032 Other				
ISCAP premiums payable 13,142 0 13,142 Deferred revenue:				
Deferred revenue: Succeeding year property tax				
Succeeding year property tax Other 6,118,032 0 6,118,032 Other 0 8,178 8,178 Long-term liabilities (Note 6): Portion due within one year: General obligation bonds payable 600,000 0 600,000 Computer lease payable 149,217 0 149,217 Early retirement payable 48,276 0 48,276 Portion due after one year: General obligation bonds payable 6,305,000 0 6,305,000 Computer lease payable 401,386 0 401,386 Early retirement payable 165,736 0 165,736 TOTAL LIABILITIES 17,736,150 13,928 17,750,078 NET ASSETS Investment in capital assets, net of related debt 10,109,965 78,904 10,188,869 Restricted for: Talented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,042 Salary improvement program 1,040	1 1 1	13,142	O	13,142
Other 0 8,178 8,178 Long-term liabilities (Note 6): Portion due within one year: General obligation bonds payable 600,000 0 600,000 Computer lease payable 149,217 0 149,217 Early retirement payable 48,276 0 48,276 Portion due after one year: General obligation bonds payable 6,305,000 0 6,305,000 Computer lease payable 401,386 0 401,386 Early retirement payable 165,736 0 165,736 TOTAL LIABILITIES 17,736,150 13,928 17,750,078 NET ASSETS Investment in capital assets, net of related debt 10,109,965 78,904 10,188,869 Restricted for: Talented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 <td></td> <td>6.118.032</td> <td>0</td> <td>6.118.032</td>		6.118.032	0	6.118.032
Long-term liabilities (Note 6): Portion due within one year: General obligation bonds payable 600,000 0 600,000 Computer lease payable 149,217 0 149,217 Early retirement payable 48,276 0 48,276 Portion due after one year: General obligation bonds payable 6,305,000 0 6,305,000 Computer lease payable 401,386 0 401,386 Early retirement payable 165,736 0 165,736 Computer lease payable 165,736 0 165,736 TOTAL LIABILITIES 17,736,150 13,928 17,750,078 NET ASSETS Investment in capital assets, net of related debt 10,109,965 78,904 10,188,869 Restricted for: 7				
Portion due within one year: General obligation bonds payable 600,000 0 600,000 Computer lease payable 149,217 0 149,217 Early retirement payable 48,276 0 48,276 Portion due after one year:	Long-term liabilities(Note 6):		-,	.,
General obligation bonds payable 600,000 0 600,000 Computer lease payable 149,217 0 149,217 Early retirement payable 48,276 0 48,276 Portion due after one year: General obligation bonds payable 6,305,000 0 6,305,000 Computer lease payable 401,386 0 401,386 Early retirement payable 165,736 0 165,736 TOTAL LIABILITIES 17,736,150 13,928 17,750,078 NET ASSETS Investment in capital assets, net of related debt 10,109,965 78,904 10,188,869 Restricted for: Talented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,042 Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004	•			
Computer lease payable 149,217 0 149,217 Early retirement payable 48,276 0 48,276 Portion due after one year: General obligation bonds payable 6,305,000 0 6,305,000 Computer lease payable 401,386 0 401,386 Early retirement payable 165,736 0 165,736 TOTAL LIABILITIES 17,736,150 13,928 17,750,078 NET ASSETS Investment in capital assets, net of related debt 10,109,965 78,904 10,188,869 Restricted for: Talented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145	•	600 000	0	600 000
Early retirement payable 48,276 0 48,276 Portion due after one year: General obligation bonds payable 6,305,000 0 6,305,000 Computer lease payable 401,386 0 401,386 Early retirement payable 165,736 0 165,736 TOTAL LIABILITIES 17,736,150 13,928 17,750,078 NET ASSETS Investment in capital assets, net of related debt 10,109,965 78,904 10,188,869 Restricted for: Talented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880		•		
Portion due after one year: General obligation bonds payable		•		
General obligation bonds payable 6,305,000 0 6,305,000 Computer lease payable 401,386 0 401,386 Early retirement payable 165,736 0 165,736 TOTAL LIABILITIES 17,736,150 13,928 17,750,078 NET ASSETS Investment in capital assets, net of related debt 10,109,965 78,904 10,188,869 Restricted for: Talented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880		40,210	U	48,276
Computer lease payable 401,386 0 401,386 Early retirement payable 165,736 0 165,736 TOTAL LIABILITIES 17,736,150 13,928 17,750,078 NET ASSETS Investment in capital assets, net of related debt 10,109,965 78,904 10,188,869 Restricted for: Talented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880		5 00F 000	0	6 005 000
Early retirement payable 165,736 0 165,736 TOTAL LIABILITIES 17,736,150 13,928 17,750,078 NET ASSETS Investment in capital assets, net of related debt 10,109,965 78,904 10,188,869 Restricted for: Talented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880				
TOTAL LIABILITIES 17,736,150 13,928 17,750,078 NET ASSETS Investment in capital assets, net of related debt 10,109,965 78,904 10,188,869 Restricted for: Talented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880				
NET ASSETS Investment in capital assets, net of related debt 10,109,965 78,904 10,188,869 Restricted for:				
Investment in capital assets, net of related debt 10,109,965 78,904 10,188,869 Restricted for: Talented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880	TOTAL LIABILITIES	17,736,150	13,928	17,750,078
Investment in capital assets, net of related debt 10,109,965 78,904 10,188,869 Restricted for: Talented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880	NET ACCETC			
related debt 10,109,965 78,904 10,188,869 Restricted for: 10,109,965 78,904 10,188,869 Talented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880				
Restricted for: 7alented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880		10 109 965	78 904	10 188 869
Talented and gifted 9,813 0 9,813 Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880		10,100,000	70,304	10,100,000
Beginning teacher mentoring 1,042 0 1,042 Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880		9.813	0	9.813
Salary improvement program 1,040 0 1,040 Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880				•
Additional teacher contract day 116 0 116 Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880				
Professional development 19,004 0 19,004 Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880				
Market factor 9,838 0 9,838 Physical plant and equipment levy 19,145 0 19,145 Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880		19,004	0	19,004
Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880	Market factor		0	
Capital projects 456,938 0 456,938 Debt service 27,704 0 27,704 Other special revenue purposes 138,880 0 138,880	Physical plant and equipment levy		0	
Other special revenue purposes 138,880 0 138,880		456,938	0	
Other special revenue purposes 138,880 0 138,880 Unrestricted 405,339 99,640 504,979			0	27,704
Unrestricted 405,339 99,640 504,979		138,880		
		405,339	99,640	504,979
TOTAL NET ASSETS \$ 11,198,824 178,544 11,377,368	TOTAL NET ASSETS	\$ 11,198,824	178,544	11,377,368

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2007

		Program Revenues		Net (Expense) Revenue			
			Operating Grants,	and Ch	anges in Net As	sets	
		Charges	Contributions				
	Pymonaca	for	and Restricted		Business-Type	maka1	
Functions/Programs	Expenses	Services	Interest	Activities	Activities	Total	
Governmental activities:							
Instruction:							
Regular instruction	\$ 5,820,061	1,078,983	722,788	(4,018,290)	0	(4,018,290)	
Special instruction	1,760,360	228,635	70,053	(1,461,672)	0	(1,461,672)	
Other instruction	1,547,093	268,962	4,863	(1,273,268)	0	(1,273,268)	
	9,127,514	1,576,580	797,704	(6,753,230)	0	(6,753,230)	
Support services:	046 760	^	0	(046 360)	٥	(0.46, 7.60)	
Student services	246,762	0	0	(246,762)	0	(246,762)	
Instructional staff services	996,523	0	0	(996,523)	0	(996,523)	
Adminstration services	1,285,839	0	0	(1,285,839)	0	(1,285,839)	
Operation and maintenance of plant services	1,247,564	0	0	(1,247,564)	0	(1,247,564)	
Transportation services	243,695	7,420	16,433	(219,842)	0	(219,842)	
	4,020,383	7,420	16,433	(3,996,530)	0	(3,996,530)	
Non-instructional services:	1,637	0	0	(1,637)	0	(1,637)	
Other expenditures:							
Facilities acquisitions	476,374	0	0	(476,374)	0	(476 274)	
		0	0		0	(476,374)	
Long-term debt interest	339,859	0	•	(339,859) 0	0	(339,859) 0	
AEA flowthrough Depreciation(unallocated)*	459,361	0	459,361 0		0	-	
Depreciation (unarrocated) ~	557,857 1,833,451	0	459,361	(557,857)	0	(557,857)	
						<u> </u>	
Total governmental activities	14,982,985	1,584,000	1,273,498	(12,125,487)	0	(12,125,487)	
Business-Type activities:							
Non-instructional programs:							
Nutrition services	568,667	367,291	206,445	0	5,069	5,069	
Early childhood enterprises	174,290	183,097	10,282	0	19,089	19,089	
Total business-type activities	742,957	550,388	216,727	0	24,158	24,158	
Total	\$ 15,725,942	2,134,388	1,490,225	(12,125,487)	24,158	(12,101,329)	
General Revenues:							
Property tax levied for:							
General purposes				5,416,587	0	5,416,587	
Debt services				661,532	0	661,532	
Capital outlay				161,244	0	161,244	
					0		
Local option sales and service tax				1,077,128 4,767,354	0	1,077,128 4,767,354	
Unrestricted state grants							
Unrestricted investment earnings Other				155,002 177,260	2,322 0	157,324 177,260	
			-				
Total general revenues			-	12,416,107	2,322	12,418,429	
Changes in net assets				290,620	26,480	317,100	
Net assets beginning of year			-	10,908,204	152,064	11,060,268	
Net assets end of year			<u>-</u>	11,198,824	178,544	11,377,368	

 $^{^{\}star}$ This amount excludes the depreciation that is included in the direct expense of various programs

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2007

	_				
				Other	
			Capital	Governmental	
		General	Projects	Funds	Total
ASSETS					
Cash and pooled investments:					
ISCAP(Note 4)	\$	2,090,138	0	. 0	2,090,138
Other		1,672,398	375 , 723	382 , 657	2,430,778
Receivables:					
Property tax					
Delinquent		24,054	0	4,465	28,519
Succeeding year		5,073,907	0	1,044,125	6,118,032
Accounts		65,853	38,356	21,183	125,392
Accrued ISCAP interest(Note 4)		92,978	. 0	0	92,978
Due from other governments		326 , 664	156,905	0	483,569
TOTAL ASSETS	\$	9,345,992	570 , 984	1,452,430	11,369,406
LIABILITIES AND FUND BALANCES					
Liabilities:	_		444.046	00 110	546 404
Accounts payable	\$	368,975	114,046	33,110	516,131
Salaries and benefits payable		1,194,826	0	32,613	1,227,439
<pre>ISCAP warrants payable(Note 4)</pre>		2,094,000	0	0	2,094,000
<pre>ISCAP accrued interest payable(Note 4)</pre>		78 , 687	. 0	0	78 , 687
ISCAP premiums payable		13,142	0	0	13,142
Deferred revenue:					
Succeeding year property tax		5,073,907	0	1,044,125	6,118,032
Total liabilities		8,823,537	114,046	1,109,848	10,047,431
Fund balances:					
Reserved for:					
Talented and gifted		9,813	0	0	9,813
Beginning teacher mentoring		1,042	0	0	1,042
Salary improvement program		1,040	0	0	1,040
Additional teacher contract day		116	0	0	116
Professional development		19,004	0	0	19,004
Market factor		9,838	0	0	9,838
Debt service		0	0	27,704	27,704
Unreserved:		V	Ü	21,701	21,7101
General		481,602	0	0	481,602
Capital projects		101,002	456 , 938	0	456,938
Management levy		0	430,930	156,853	156,853
		0	0	19,145	19,145
Physical plant and equipment levy Other special revenue		0	0		
-	_		-	138,880	138,880
Total fund balances		522,455 9,345,992	456,938	342,582 1,452,430	
TOTAL LIABILITIES AND FUND BALANCES	<u>ې</u>	2,343,992	570 , 984	1,402,430	11,369,406

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2007

Total fund balances of governmental funds (page 15)

\$ 1,321,975

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.

17,565,568

Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.

(19, 104)

Long-term liabilities, including bonds payable, computer lease payable and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

(7,669,615)

Net assets of governmental activites (page 13)

\$ 11,198,824

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2007

				Other	
			Capital	Governmental	
		General	Projects	Funds	Total
REVENUES:					
Local sources:					
Local tax	\$	5,190,581	0	1,048,782	6,239,363
LOSST		0	1,077,128	0	1,077,128
Tuition		1,015,877	0	0	1,015,877
Other		471,224	12,683	301,690	785 , 597
State sources		5,765,670	0	245	5,765,915
Federal sources		270,074	0	0	270,074
Total revenues		12,713,426	1,089,811	1,350,717	15,153,954
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction		5,703,007	0	104,210	5,807,217
Special instruction		1,760,360	0	0	1,760,360
Other instruction		1,259,353	7,175	280,565	1,547,093
	_	8,722,720	7,175	384,775	9,114,670
			i	<u> </u>	
Support services:					
Student services		245,750	0	1,012	246,762
Instructional staff services		384,851	605,888	5,784	996,523
Administration services		1,214,680	. 0	42,291	1,256,971
Operation and maintenance of plant services		1,122,752	73,037	98,247	1,294,036
Transportation services		291,276	275,828	15,298	582,402
•	-	3,259,309	954,753	162,632	4,376,694
	*******	<u> </u>	· · · · · · · · · · · · · · · · · · ·		
Non-instructional programs		0	0	1,637	1,637

Other expenditures:					
Facilities acquisitions		0	515,015	159,654	674,669
Long-term debt:			•		,
Principal		0	0	600,000	600,000
Interest and fiscal charges		0	0	347,247	347,247
AEA flowthrough		459,361	0	0	459,361
		459,361	515,015	1,106,901	2,081,277
Total expenditures		12,441,390	1,476,943	1,655,945	15,574,278
		12,111,000	271707513	1,000,010	10,014,210
Excess(deficiency) of revenues over(under)					
expenditures		272,036	(387,132)	(305,228)	(420,324)
		272,000	(00.71027	(000)220)	(120/321)
Other financing sources(uses):					
Compensation for loss of capital assets		152,046	302,879	22,060	476 005
Transfers in			0		476,985
		8,159	-	300,000	308,159
Transfers out		0	(300,000)	(8,159)	(308, 159)
Lease proceeds		0	550,603	0	550,603
Total other financing sources(uses)		160,205	553,482	313,901	1,027,588
Net change in fund balances		432,241	166,350	8,673	607,264
-90 =11 20110 20110000		102,211	200,550	0,015	007,204
Fund balance beginning of year	_	90,214	290,588	333,909	714,711
	<u></u>				
Fund balance end of year	Ş	522,455	456,938	342,582	1,321,975

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17)

607,264

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures exceeded depreciation expense in the current year, as follows:

Capital expenditures	\$ 670,669	
Depreciation expense	(629,751)	40,918

The cost of the equipment (\$989,770) as well as the corresponding depreciation (\$632,436) is removed from the capital assets account in the Statement of Net Assets resulting in a "loss on sale of equipment" which is reported on the Statement of Activities.

(357, 334)

Proceeds of long-term debt liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Issued	\$ (550 ,	603)
Repaid	600,	000 49,397

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

7,388

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement (57,013)

Changes in net assets of governmental activities (page 14)

290,620

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT STATEMENT OF NET ASSETS PROPRIETARY FUND JUNE 30, 2007

	Early School Childhood			
		School		
	. 1	Nutrition	Enterprises	Total
ASSETS	-			
Cash and pooled investments	\$	8,604	73,830	82,434
Accounts receivable		17,932	88	18,020
Inventories		13,114	0	13,114
Capital assets, net of accumulated				
<pre>depreciation(Note 5)</pre>		78,904	0	78,904
TOTAL ASSETS		118,554	73,918	192,472
LIABILITIES				
Accounts payable		0	451	451
Salaries and benefits payable		0	5,299	5,299
Deferred revenue:			,	·
Other		8,178	0	8,178
TOTAL LIABILITIES		8,178	5,750	13,928
NET ASSETS				
Investment in capital assets		78,904	0	78,904
Unrestricted		·	-	-
unrestricted		31,472	68,168	99,640
TOTAL NET ASSETS	\$	110,376	68,168	178,544
TOTAL NET WOOFI2	Ş	110,376	00,108	1/0,54

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND YEAR ENDED JUNE 30, 2007

		Early	
	School	Childhood	
	Nutrition	Enterprises	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 367,291	183,097	550,388
OPERATING EXPENSES:			
Non-instructional programs:			
Salaries	195,177	132,263	327,440
Benefits	31,281	22,246	53 , 527
Services	3 , 115	4,539	7,654
Supplies	318,013	15,242	333,255
Other	575	0	575
Depreciation	20,506	0	20,506
TOTAL OPERATING EXPENSES	568,667	174,290	742,957
OPERATING INCOME (LOSS)	(201, 376)	8,807	(192,569)
NON-OPERATING REVENUES:			
Interest income	786	1,536	2,322
State sources	7,329	10,282	17,611
Federal sources	199,116	0	199,116
TOTAL NON-OPERATING REVENUES	207,231	11,818	219,049
			_
Net income	5,855	20,625	26,480
	104 503	A 77 . F. A 2	150 064
Net assets at beginning of year	104,521	47,543	152,064
Net assets end of year	\$ 110,376	68,168	178,544
wee appear end or lear	7 110,070	00,100	170/044

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT STATEMENT OF CASH FLOWS PROPRIETARY FUND YEAR ENDED JUNE 30, 2007

	_	***************************************	Early	
		School	Childhood	
		Nutrition	Enterprises	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$	349,655	0	349,655
Cash received from miscellaneous operating activities		42	183,009	183,051
Cash payments to employees for services		(226, 458)	(154,410)	(380,868)
Cash payments to suppliers for goods or services		(280,641)	(19,330)	(299,971)
Net cash provided by (used in) operating activities	_	(157, 402)	9,269	(148,133)
not oddi provided bj (abod in, opolading decityicies	_	(137, 102)	3,203	(140,133)
Cash flows from non-capital financing activities:				
		7 200	10.000	10 611
State grants received		7,329	10,282	17,611
Federal grants received	_	160,715	0	160,715
Net cash provided by non-capital financing				
activities		168,044	10,282	178,326
		·		
Cash flows from investing activities:				
Interest on investments		786	1,536	2,322
intested of investments		700	1,330	2,322
0				
Cash flows from capital financing activities:				
Purchase of assets	_	(2 , 907)	0	(2,907)
Net increase in cash and cash equivalents		8,521	21,087	29,608
•		•	,	•
Cash and cash equivalents at beginning of year		83	52,743	52 026
outh and cath equivatenes at beginning of year	_	0.5	32,143	52,826
Cash and cash equivalents at and of year	ķ	0 604	72 020	00 404
Cash and cash equivalents at end of year	<u>\$</u>	8,604	73,830	82,434
Reconciliation of operating income(loss) to net cash				
<pre>provided by(used in) operating activities:</pre>				
Operating income(loss)	\$	(201, 376)	8,807	(192,569)
Adjustments to reconcile operating income(loss) to	•	(===,==,=,	•,•••	(, 5 55 /
net cash providedby (used in) operating activities:				
		20 401		00 404
Commodities consumed		38,401	0	38,401
Depreciation		20,506	0	20,506
Decrease in inventories		3 , 273	0	3 , 273
Increase in accounts receivable		(17,723)	(88)	(17,811)
Increase(decrease) in accounts payable		(612)	451	(161)
Increase in salaries and benefits payable		0	99	99
Increase in deferred revenue		129	0	129
Net cash provided by (used in) operating activities	\$	(157,402)	9,269	(148, 133)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR				
END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE				
SHEET:				
•				
Current assets.				
Current assets:	_	0.00-	E6 66-	
Cash and pooled investments	Ş	8,604	73,830	82,434

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$38,401.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

(1) Summary of Significant Accounting Policies

The Sergeant Bluff-Luton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sergeant Bluff and Luton, Iowa, and the predominate agricultural territory in Woodbury County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sergeant Bluff-Luton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sergeant Bluff-Luton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Woodbury County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net
Assets and the Statement of Activities report information on
all of the nonfiduciary activities of the District. For the
most part, the effect of interfund activity has been removed
from these statements. Governmental activities, which
normally are supported by tax and intergovernmental revenues,
are reported separately from business-type activities, which
rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Enterprise, Early Childhood Enterprises.

The School Nutrition Fund is used to account for the food service operations of the District. The Early Childhood Enterprises Fund is used to account for day care services provided by the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds is charges to customers for sales and services. Operating expenses for

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

<u>Property Tax Receivable</u> - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

<u>Due from Other Governments</u> - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

<u>Inventories</u> - Inventories are valued at cost using the firstin, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class		Amount
Land	Ş	500
Buildings		500
Land improvements		500
Machinery and equipment:		
School Nutrition Fund equipment		500
Other machinery and equipment		500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

	Estimated	
	Useful Lives	
Asset Class	(In Years)	
Buildings	50 years	
Land improvements	20 years	
Machinery and equipment	5-12 years	

<u>Salaries and benefits payable</u> - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, the District exceeded its General Fund unspent authorized budget by \$178,875. The District also exceeded budgeted amounts in the other expenditures function.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost	
Diversified portfolio	\$	866

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 300,000
General	Activity	8,159
Total		\$ 308,159

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

	Warrant	Final Warrant		Accrued Interest	Warrants	Accrued Interest
Series	Date	Maturity	Investments	Receivable	Payable	Payable
-					_	
2006-07A	6/28/2006	6/28/2007	\$ 0	79 , 669	0	68 , 008
2006-07B	1/26/2007	1/25/2008	569,544	12,855	571,000	10,305
2007-08A	6/27/2007	6/27/2008	1,520,594	454	1,523,000	374
Total			\$ 2,090,138	92 , 978	2,094,000	78 , 687

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is shown as follows:

	 Balance			Balance
	Beginning	Advances	Advances	End of
Series	of Year	Received	Repaid	Year
2006-07A	\$ 0	420,000	420,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

	Interest	Interest
	Rates on	Rates on
Series	Warrants	Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

		Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:					
Capital assets not being depreciated:					
Land	\$	294,815	0	0	294,815
Total capital assets not being depreciated		294,815	0	0	294 , 815
Capital assets being depreciated:					
Buildings		23,793,928	16,829	257,757	23,553,000
Land improvements		1,562,704	181,466	. 0	1,744,170
Machinery and equipment		1,163,945	472,374	732,013	904,306
Total capital assets being depreciated		26,520,577	670,669	989,770	26,201,476
Less accumulated depreciation for:					
Buildings		7,234,748	472,126	41,241	7,665,633
Land improvements		833,128	85,731	0	918,859
Machinery and equipment		865,532	71,894	591,195	346,231
Total accumulated depreciation		8,933,408	629,751	632,436	8,930,723
Total capital assets being depreciated, net		17,587,169	40,918	357,334	17,270,753
Governmental activities capital assets, net	\$	17,881,984	40,918	357,334	17,565,568
		Balance			
		Beginning			Balance End
		of Year	Increases	Decreases	of Year
Business-type activities:					
Machinery and equipment		\$ 439,527	2,907	0	442,434
Less accumulated depreciation		343,024	20,506	0	363,530
Business-type activities capital assets,	net	\$ 96,503	(17,599)	0	78,904

Governmental activities:	
Instruction:	
Regular	\$ 13,411
Support services:	
Administration services	3,668
Operation and maintenance of plant services	8,643
Transportation	46,172
	71,894
Unallocated depreciation	557,857
	<u></u>
Total governmental activities depreciation expense	\$ 629,751
Business-type activities:	
Food services	\$ 20 , 506

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds Computer Lease Early retirement	\$ 7,505,000 0 156,999	0 550,603 141,384	600,000 0 84,371	6,905,000 550,603 214,012	600,000 149,217 48,276
Total	\$ 7,661,999	691,987	684,371	7,669,615	797,493

General Obligation

Details of the District's June 30, 2007 general obligation bonds indebtedness is as follows:

Year			Bond Issue	Dated July 1,	2005
Ending	Interest				
June 30,	Rates		Principal	Interest	Total
2008	2.90	용\$	600,000	229,245	829,245
2009	2.95		615,000	211,845	826,845
2010	3.05		635,000	193 , 703	828,703
2011	3.13		655,000	174,335	829 , 335
2012	3.25		670,000	153 , 866	823 , 866
2013	3.35		695 , 000	132,091	827 , 091
2014	3.45		715,000	108,808	823 , 808
2015	3.55		745,000	84,141	829,141
2016	3.63		775,000	57 , 694	832,694
2017	3.70		800,000	29 , 600	829,600
Total		\$	6,905,000	1,375,328	8,280,328

Computer Lease

As of the year ended June 30, 2007, the District entered into a computer lease to update existing computer equipment. Annual payments will be made from the Capital Projects Fund through fiscal year 2011.

Details of the District's June 30, 2007 computer lease indebtedness is as follows:

Year				Compter Le	ase dated	June 12, 2007
Ending June 30,	Interest Rate			Principal	Interest	Total
2008	3.70	olc Olc	\$	149,217	0	149,217
2009	3.70		7	126,502	22,715	149,217
2010	3.70			133,660	15 , 557	149,217
2011	3.70		4	141,224	7,993	149,217
Total			N	550 , 603	46,265	596,868

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentive for each eligible employee is computed according to the number of unused sick leave days available to the retiring employee. In addition, teachers selecting early retirement may elect to have their single health insurance premium paid, at the fixed dollar amount paid by the District for their health insurance premium during the retirement year, until the teacher reaches age 65. Early retirement expenditures for the year ended June 30, 2007 totaled \$84,371.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$453,008, \$425,216, and \$398,127 respectively, equal to the required contributions for each year.

(8) Risk Management

Sergeant Bluff-Luton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$459,361 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2007 disbursements in the other expenditures functional area exceeded the amount budgeted. The District also exceeded its General Fund unspent authorized budget by \$178,875.

REQUIRED SUPPLEMENTARY INFORMATION

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND CHANGES IN BALANCES -

BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUNDS REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2007

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted	Amounts	Final to Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 9,117,965	552,710	9,670,675	9,160,625	9,160,625	510,050
State sources	5,765,915	17,611	5,783,526	5,698,153	5,698,153	85,373
Federal sources	270,074	199,116	469,190	459,000	459,000	10,190
Total revenues	15,153,954	769,437	15,923,391	15,317,778	15,317,778	605,613
Expenditures:						
Instruction	9,114,670	0	9,114,670	8,734,575	9,400,000	285,330
Support services	4,376,694	0	4,376,694	3,574,809	4,500,000	123,306
Non-instructional programs	1,637	742,957	744,594	774,134	774,134	29,540
Other expenditures	2,081,277	0	2,081,277	1,876,133	1,876,133	(205, 144)
Total expenditures	15,574,278	742,957	16,317,235	14,959,651	16,550,267	233,032
Excess(deficiency) of revenues						
over(under) expenditures	(420,324)	26,480	(393,844)	358,127	(1,232,489)	838,645
Other financing sources, net	1,027,588	0	1,027,588	0	0	1,027,588
Excess(deficiency) of revenues and other financing sources over(under)						
expenditures	607,264	26,480	633,744	358,127	(1,232,489)	1,866,233
Balance beginning of year	714,711	152,064	866,775	720,936	720,936	145,839
Balance end of year	\$ 1,321,975	178,544	1,500,519	1,079,063	(511,553)	2,012,072

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with <u>Governmental Accounting Standard Board</u> Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,590,616.

During the year ended June 30, 2007, the District exceeded its General Fund unspent authorized budget by \$178,875. The District also exceeded budgeted amounts in the other expenditures function.

OTHER SUPPLEMENTARY INFORMATION

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2007

Special Revenue Funds

		D]	Secrat Veve				
	_		Physical		m - + - 1		Total
			Plant and	G. 1	Total	D 1.1	Nonmajor
		-	Equipment		Special	Debt	Governmental
		ment	Levy	Activity	Revenue	Service	Funds
ASSETS							
Cash and pooled investments	Ş	199,998	3,919	153,709	357,626	25,031	382,657
Receivables:							
Property tax:							
Current year delinquent		1,047	670	0	1,717	2,748	4,465
Succeeding year		250,000	164,880	0	414,880	629,245	1,044,125
Accounts	_	0	20,808	375	21,183	0	21,183
TOTAL ASSETS	\$	451,045	190,277	154,084	795,406	657,024	1,452,430
				<u> </u>			
LIABILITIES AND FUND EQUITY Liabilities:							
Accounts payable	\$	11,579	6,252	15,204	33,035	75	33,110
Salaries and benefits payable		32,613	0	0	32,613	0	32,613
Deferred revenue:		·			·		·
Succeeding year property tax		250,000	164,880	0	414,880	629,245	1,044,125
		294,192	171,132	15,204	480,528	629,320	1,109,848
Fund balances:							
Unreserved:							
Debt Service		0	0	0	0	27,704	27,704
Unreserved:							
Undesignated		156,853	19,145	138,880	314,878	0	314,878
Total fund balances		156,853	19,145	138,880	314,878	27,704	342,582
TOTAL LIABILITIES AND	,						
FUND BALANCES	Ş	451,045	190,277	154,084	795,406	657 , 024	1,452,430

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2007

		Special	Revenue			
		Physical				Total
		Plant and		Total		Nonmajor
	Manage-	Equipment	Student	Special	Debt	Governmental
	ment	Levy	Activity	Revenue	Service	Funds
REVENUES:						
Local sources:	h 000 000	161 044	0	207 050	CC1 F20	1 040 700
Local tax	\$ 226,006	161,244	0	387,250	661,532	1,048,782
Other	19,339	403	276,484	296,226	5,464	301,690
State sources TOTAL REVENUES	245,402	37 161,684	276,484	94 683,570	151 667,147	245 1,350,717
TOTTE TOTAL TOTAL	243,402	101,004	270,404	003,370	007,147	1,330,717
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	104,210	0	0	104,210	0	104,210
Other instruction	0	0	280,565	280,565	0	280,565
	104,210	0	280,565	384,775	0	384,775
Support services:						
Student support services	1,012	0	0	1,012	0	1,012
Instructional staff services	1,591	4,193	0	5,784	0	5,784
Administration services	28,218	14,073	0	42,291	0	42,291
Operation and maintenance of plant services	94,330	3,917	0	98,247	0	98,247
Transportation services	15,298	0	0	15,298	0	15,298
	140,449	22,183	0	162,632	0	162,632
Non-instructional programs	1,637	0	0	1,637	0	1,637
013						
Other expenditures:						
Facilities acquisitions	0	159,654	0	159,654	0	159,654
Long-term debt:						
Principal	0	0	0	0	600,000	600,000
Interest and fiscal charges	0	0	0	0	347,247	347,247
	0	159,654	0	159,654	947,247	1,106,901
TOTAL EXPENDITURES	246,296	181,837	280,565	708,698	947,247	1,655,945
Deficiency of revenues under expenditures	(894)	(20, 153)	(4,081)	(25, 128)	(280,100)	(305,228)
Other financing sources(uses):						
Compensation for loss of fixed assets	0	22,060	0	22,060	0	22,060
Transfers in	0	0	0	0	300,000	300,000
Transfer out	0	0	(8,159)	(8,159)	0	(8,159)
Total other financing sources(uses)	0	22,060	(8,159)	22,060	300,000	322,060
•				·	· ·	
Excess (deficiency) of revenues and other						
financing sources over(under) expenditures		1 005	/10 0.00	(2.050)	10.000	4.6.000
and other financing uses	(894)	1,907	(12,240)	(3,068)	19,900	16,832
Fund balance beginning of year	157,747	17,238	151,120	326,105	7,804	333,909
Fund balance end of year	\$ 156,853	19,145	138,880	314,878	27,704	342,582

Schedule 3

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2007

					Interfund	
		Balance			and	Balance
		Beginning		-	Intrafund	End
Account		of Year	Revenues	tures	Transfers	of Year
Calast funda-issue	Ċ	1 050	1 5 60	1 000	Γ.	0 070
Select vocal fundraisers	\$	1,852 81	1,562 0	1,092 0	56 3	2,378 84
Quiz bowl Field trips		8,416			(8 , 159)	86
Parent-teacher organization		582	1,573	2,042	(0,139)	113
After school activities		1,784	2,459	1,912	54	2,385
Elementary playground special needs		3,256	2,455	0	98	3,354
Primary special projects		36	11,295		1	4,983
Elementary special projects		3,744			113	6,813
Vocal music		0	380	0	0	380
Music magazine sales		4,606	5,926	5,453	139	5,218
Instrumental music		554	1,022	870	17	723
Jr. high cheerleaders		1,269	1,197	1,178	38	1,326
Jr. high football		929	870	587	28	1,240
Jr. high boys track		0	0	0	1,044	1,044
Jr. high wrestling		24	0	0	. 1	25
Jr. high girls basketball		75	0	0	2	77
Jr. high volleyball		8	290	0	0	298
Jr. high track		2,027	0	0	(983)	1,044
Writer's club		1,600	0	1,000	48	648
6th grade class		1,070	60	386	166	910
5th and 6th company store		130	0	0	(130)	0
Jr. high yearbook		2,299	3,751	4,837	69	1,282
L.A. experience		1,626	2,048	2,556	49	1,167
Jr. high athletics/juice		9,486	5,753	9,569	286	5,956
Student council		386	0	0	12	398
Middle school projects		17,741	8,443	11,592	535	15,127
Theater/plays		2,237	533	2,329	67	508
Speech		855	0	113	26	768
Music trip/fundraisers		1,245	10,105	5,180	38	6,208
Instrumental music		4,109	2,882	2,912	124	4,203
Athletics		35,235	69,533	89,545	1,062	16,285
Cross country		. 0	533	218	, 0	315
Cheerleaders		3,116	2,700	4,081	94	1,829
Dance team		139	19,626	13,714	4	6,055
Spirit council		101	13,020	13,714	3	104
-			-	=		
Boy's basketball		2,587	5,604	5,839	78	2,430

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007

				Interfund	
	Balance			and	Balance
	Beginning		-	Intrafund	End
Account	 of Year	Revenues	tures	Transfers	of Year
Football	4,667	35,141	31,913	141	8,036
Boys soccer	0	538	442	0	96
Baseball	1,609	1,903	750	49	2,811
Boys track	27	1,352	1,230	1	150
Wrestling	2,315	7,888	7,875	70	2,398
Girls basketball	1,614	74	68	49	1,669
Volleyball	96	977	806	3	270
Girls soccer	0	1,551	1,652	0	(101)
Girls track	418	1,034	1,318	13	147
History/literature renaissance	179	0	0	5	184
HS solo/ensamble contest	1,729	981	725	52	2,037
Class of 2003	279	0	0	(279)	0
Class of 2004	2,119	0	0	(2,119)	0
Class of 2005	794	0	0	(794)	0
Class of 2007	2,968	445	4,097	90	(594)
Class of 2008	698	17 , 375	13,185	21	4,909
Class of 2009	660	550	0	20	1,230
Class of 2010	165	503	0	5	673
Class of 2011	0	365	0	0	365
S.T.E.P.	992	0	0	30	1,022
High school yearbook	11,739	14,219	16,406	354	9,906
Senior composite fees	159	1,625	1,545	5	244
After prom party	(964)	8,571	8,371	0	(764)
H.S. student council	795	2,675	3,362	24	132
Art	404	0	0	12	416
H.S. special projects	1,092	5,343	4,526	33	1,942
Unallocated interest	3,361	3,286	(218)	(927)	5,938
Total	\$ 151,120	276,484	280,565	(8,159)	138,880

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION ALL GOVERNMENTAL FUND TYPES FOR THE LAST FOUR YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
		2007	2006	2005	2004
Revenues:	_				
Local sources:					
Local tax	\$	7,316,491	6,465,923	5,998,219	5,943,864
Tuition		1,015,877	1,044,679	858,968	754,831
Other		785 , 597	669,794	940,666	771,709
Intermediate sources		0	0	9,979	307
State sources		5,765,915	5,137,720	4,328,379	4,221,400
Federal sources		270,074	287,538	329,296	277,837
Total	\$	15,153,954	13,605,654	12,465,507	11,969,948
Expenditures:					
Instruction:					
Regular instruction	\$	5,807,217	5,473,708	4 847 222	4,533,294
Special instruction	٧	1,760,360			
Other instruction			677,543		
Support services:		1,01,,050	011,010	1,302,074	070,700
Student services		246 762	253,540	237,723	219,502
Instructional staff services		996,482			- ,
Administration services		1,256,971	•	•	
Operation and maintenance of plant services		1,294,036			991,911
Transportation services		582,402		218,652	237,016
Other support services		0	0 0	210,032	3,816
Non-instructional programs:		1,637	_	58,195	4,027
Other expenditures:		1,037	2,900	30,193	4,027
•		674 660	422 000	227 055	1 505 504
Facilities acquisitions Long Term Debt:		674,669	433,222	337,955	1,707,704
-		600 000	015 000	000 000	262 222
Principal Interest		600,000	915,000	890,000	860,000
AEA flow-through		347,247		408,703	437,458
ABM IIOW-CHIOUGH		459,361	404,912	361,008	355,163
Total	\$	15,574,237	14,056,868	12,657,245	13,597,741

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the Sergeant Bluff-Luton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sergeant Bluff-Luton Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 7, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sergeant Bluff-Luton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sergeant Bluff-Luton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sergeant Bluff-Luton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sergeant Bluff-Luton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sergeant Bluff-Luton Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sergeant Bluff-Luton Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the General Purpose Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Sergeant Bluff-Luton Community School District's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sergeant Bluff-Luton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under <u>Government Auditing Standards</u>. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sergeant Bluff-Luton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Sergeant Bluff-Luton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sergeant Bluff-Luton Community School District and other parties to whom Sergeant Bluff-Luton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sergeant Bluff-Luton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2008

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

<u>Recommendation</u> - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-07 <u>Checks Outstanding</u> - We noted during our audit that the District had checks included in the bank reconciliations of the General, Activity, PPEL and Nutrition Funds which have been outstanding for over one year.

<u>Recommendation</u> - The District should research the checks that are outstanding over one year and determine whether these checks should be voided or reissued. If the checks are not voided or reissued, then, per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

<u>Response</u> - We will complete due diligence on these checks and either reissue, void or submit the checks to the State Treasurer.

Conclusion - Response accepted.

I-C-07 <u>Payroll Procedures</u> - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

<u>Recommendation</u> - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

<u>Response</u> - We have implemented a system for keeping track of hours worked for non-certified staff.

Conclusion - Response accepted.

I-D-07 Photo Image Checks - We noted during our audit that the District received their checks from the bank as photo images showing only the front of the checks. Per Chapter 544D.114 of the Code of Iowa, the District is required to have retained both the front and back of check images.

<u>Recommendation</u> - The District should request that photo images of checks contain both the front and the back of the checks according to 544D.114 of the Code of Iowa.

Response - We have again requested photo images of both the front and back of each check.

Conclusion - Response accepted.

I-E-07 <u>District and Regional Rents</u> - We noted during our audit that the district receives money for use of facilities when hosting district and regional events.

<u>Recommendation</u> - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. The district should receipt rent collected for facility usage into the General Fund.

Response - We will receipt rent into the General Fund in the future.

Conclusion - Response accepted.

I-F-07 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

<u>Recommendation</u> - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Donations from Target were recorded in the Student Activity Fund. These donations do not specify the purpose, other than instructional supplies; therefore, they should be receipted into the General Fund for use in all instructional supplies/services.

Lifetouch Picture commissions were placed in the Student Activity Fund. Commissions received can only be receipted to the General Fund; therefore, in the future the District should place Lifetouch commissions into the General Fund.

There is a Primary Special Project, Elementary Special Project, High School Special Project and a Middle School Projects account. We noted expenditures for field trips, meals for parent teacher conferences, PSAT testing fees, Weekly Readers and classroom supplies that are instructional in nature. Expenditures for instructional supplies should be from the General Fund.

There is an Elementary Playground Special Needs Account. The District should determine the purpose of this account and place the remaining money in the most appropriate fund from which the money can be spent. If the money is intended for playground equipment, the money should be placed into the PPEL Fund.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

<u>Response</u> - We will review these accounts and make sure revenues and expenditures are recorded in the proper funds in the future.

Conclusion - Response accepted.

I-G-07 Meal Reimbursements - According to District policy, employees seeking reimbursement must turn in detailed receipts for all actual and necessary travel expenses otherwise that expense will become the employee's personal expense and will not be reimbursed. We noted during our audit that reimbursements to employees for meal expenses did not always have detailed receipts for the District's supporting documentation.

<u>Recommendation</u> - The District should follow their policy and require receipts before expenses are reimbursed.

<u>Response</u> - We will make sure all reimbursement claims have a detailed receipt attached in the future.

Conclusion - Response accepted.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Reporting

II-A-07 <u>Certified Budget</u> - During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amount budgeted.

During the year ended June 30, 2007, the District exceeded its General Fund unspent authorized budget by \$178,875.

<u>Recommendation</u> - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

<u>Response</u> - We will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget. In the future, the budget will be amended before expenditures exceed the budget.

Conclusion - Response accepted.

- II-B-07 <u>Questionable Disbursements</u> We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 <u>Travel Expense</u> No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 <u>Business Transactions</u> Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Chris Brown, Technology Director Partial owner of CPM Consulting	Purchased Services	\$11,222

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Chris Brown do not appear to represent a conflict of interest.

- II-E-07 <u>Bond Coverage</u> Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 <u>Board Minutes</u> We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 <u>Certified Enrollment</u> We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-07 <u>Deposits and Investments</u> We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 <u>Certified Annual Report</u> The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-07 Physical Plant and Equipment Levy (PPEL) and Local Option Sales and Service Tax Expenditures According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. According to the District's revenue purpose statement, local option sales and service tax money can be spent for PPEL type expenditures, thus falling within the same \$500 per unit of equipment restriction. We noted during our audit that the District purchased thirty desks and thirty-five stacking chairs from the PPEL Fund for \$3,476. From the Capital Projects Fund, we noted computer monitor and keyboard purchases totaling \$5,486. These expenditures, which are less than \$500 per single unit, are inappropriate for their respective funds.

<u>Recommendation</u> - The District should review the Code of Iowa with regard to allowable expenditures from the PPEL Fund to avoid non compliance. The District should make a corrective transfer to the PPEL and Capital Projects Funds from the General Fund.

<u>Response</u> - We have allowable equipment which was paid from the General Fund that would have qualified as PPEL Fund or Capital Projects Fund expenditures. Therefore, we do not feel that a corrective transfer is necessary.

Conclusion - Response accepted.

II-K-07 <u>Financial Condition</u> - We noted that the Student Activity Fund contains three negative account balances totaling \$1,459.

<u>Recommendation</u> - The District should monitor these funds and investigate alternatives to eliminate the deficits.

Response - These negative balances will be eliminated by June 30, 2008.

Conclusion - Response accepted.